

CALIFORNIA'S TRUST LANDS

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Generating Renewable Energy and Using the Proceeds to Support Teacher Retirement



Quick Facts on California's Trust Lands

Trust Land ownership:

Surface lands	469,000 acres
Mineral rights	1,259,000 acres

FY 2010:

Mineral Revenue	\$ 5,737,000
Surface revenue	\$ 163,000
Gross Revenue for FY 2010	\$ 5,900,000

School Land Bank Fund

\$60,978,000

When California joined the Union in 1850, a grant of 5.5 million acres to support schools was made by Congress to the new state. That was 6% of all the land in the new state of California. From that original grant there remains today about a half million acres of surface lands and about 1.3 million acres of mineral rights. That may not sound like a lot of land in a large state like California, but the surface acres owned is about the size of the entire state of Rhode Island.

The majority of revenue generated is derived from minerals. The half million acres of surface lands produces only a small part of the revenue—3%. This is typical of states where minerals are present, like New Mexico, Texas, Wyoming, Colorado, and North Dakota.

The school lands in California are managed by the California State Lands Commission. The Lt. Governor, State Controller, and State Director of Finance comprise the membership of the Commission. In addition to managing the school lands they also manage millions of acres of sovereign lands that belong to the public, plus lands for harbors and ports granted by the state to cities and counties.

By far, the greatest revenue source is minerals which generate about 97 cents of every dollar produced by the school lands. The greatest contribution to mineral revenue came from geothermal leasing. This renewable mineral revenue generated \$4.7 million. Oil and gas contributed almost another million dollars. The contribution from solid minerals was a mere 2% of the total mineral revenue.



The task of managing almost a half million acres of surface lands is no small matter. The Land Management Division, under the direction of the State Land Commission, manages lands and minerals that are scattered around the state. They are tasked with generating revenue to benefit retired teachers and must balance that fiduciary duty with all the other responsibilities of land ownership, including resolving boundary disputes, archaeology, threatened and endangered species issues, water issues, and more.

In most western states almost every acre is leased for grazing. Though grazing generates millions in other states, it is not a major revenue source in any of those states, except South Dakota. Of the half million acres of school lands in California, there are only about 25,000 acres of school land leased for grazing,



they generated only \$8,000 in FY 2010. The school trust lands are primarily small parcels that are hard to manage when scattered over such a large state as California. Agricultural rent is set at 9% of the fair market value of the land, or a percentage of the gross product is charged. There are 116 acres leased for agriculture, and these lands generated \$15,000 in FY 2010.

There are no lands leased for commercial or industrial purposes, homes or residential purposes, or conservation. In the past, occasional salvage sales after forest fires generated revenue from about 33,000 acres; however, no salvage sales occurred this fiscal year.

Fiscal Year 2010 Revenue of \$5,900,000:

Geothermal Leases	\$ 4,738,000
Oil & Gas Leases	\$ 872,000
Solid Minerals	\$ 128,000
Grazing on 24,600 acres	\$ 8,000
Agriculture on 116 acres	\$ 15,000
Timber & forest product sales	\$ 0
Commercial/industrial/residential leasing	\$ 0
Conservation leases	\$ 0
Other Surface Rentals	\$ 140,000
Interest on \$ 61 million	\$ 13,000

The Land Management Division is funded from the revenues generated by the leasing of trust lands, not from taxpayer dollars. Basically all surface and mineral income, except land sale revenue, is deposited in the State Teachers' Retirement System Fund. After expenses for the land management are deducted, quarterly distributions are made to retired teachers. All land sale revenue is saved and invested in the School Land Bank Fund. Unfortunately, this fund is the smallest school fund of any state in the nation at \$61 million. Currently \$59 million of these funds have been loaned to the state of California. The state is paying interest at the Pooled Money Investment Account rate. The \$59 million loan is supposed to be re-paid with interest in 2013. The remaining \$2 million is also deposited in the Pooled Money Investment Account until the State Lands Commission finds a worthy and safe property to invest in. The total interest earned in FY 2010 on \$62 million was \$12,574.

The Land Management Division made major progress this fiscal year on the sale of 38,000 acres to the federal government. The sale is expected to be consummated in FY2011 for \$8 million and the funds will be deposited in the School Land Bank Fund.

School lands were granted in specific locations. When settlers had already occupied the school section, other lands were granted "in lieu" of what schools did not receive. California is entitled to select about 47,000 "in lieu" acres from the federal Bureau of Land Management lands. These acres have now been owed to California schools for over one hundred and fifty years.

